



The objective of the Core composite is growth of capital, over the course of full market cycles, at a rate both superior to and less capricious than the broad equity markets. The portfolio is managed based upon an absolute return philosophy, which seeks to achieve progressive growth in assets from year to year with limited portfolio volatility.

Using a tactical asset allocation methodology, this composite portfolio is generally weighted more heavily in asset classes that appear undervalued relative to historical norms and/or supply and demand conditions. Multiple strategies may also be used for risk management purposes. Technical analysis guides entry and exit points for certain of the chosen positions, particularly in securities where greater volatility and/or more limited trading volume makes such tools important both for opportunistic and risk management functions.

The composite may be allocated at various times among domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt positions. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual equities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and derivatives of certain types.

Although broad diversification is employed with the intent to realize opportunity while limiting volatility, there can be no assurance that securities of various types and combinations will not result in greater volatility and risk of loss should the assessment of market conditions and choice of risk management strategies prove incorrect. However, based on past experience and research, this approach to diversification is reasonably expected to provide reduced volatility relative to an investment in the unmanaged S&P 500.

Given the broadly diversified and dynamic tactical asset allocation strategy, the Core composite is neither designed to correlate to the performance of any benchmark index, nor can a benchmark accurately reflect its changing mix of asset classes. However, to offer a frame of reference, we provide a Morningstar average of mutual funds with an Asset Allocation Objective. While the specific strategies of these funds vary, they are generically similar in concept to the diversified approach of the Core composite. Additionally, we provide the S&P 500, an unmanaged capitalization-weighted index of domestic stocks, simply as a point of reference to which many investors look in assessing investment results.

	Composite Net Return	Morningstar Asset Allocation Objective	S&P 500	
Year to Date				Data as of June 30, 2010:
2010	(2.70%)	(1.20%)	(6.65%)	
2009	13.38%	22.90%	26.46%	Firm Advisory Assets: \$228,845,538
2008	(22.44%)	(30.04%)	(37.00%)	
2007	6.81%	5.78%	5.49%	Accounts in Composite: 1303
2006	9.73%	10.76%	15.79%	Assets in Composite: \$53,193,150
2/1/2005* to 12/31/2005	10.36%	4.26%	7.53%	% of Firm's Assets: 23.24%
Cumulative				
2/1/05* to 6/30/2010	10.67%	3.77%	(2.32%)	

*Composite inception was 2/1/2005. Total firm assets consist of all advisory assets managed on a discretionary and non-discretionary basis.

Performance is illustrated net of management fees using the highest applicable annual management fee of 1.65%. Prior to 4/1/2008, the highest applicable annual management fee for the Core composite was 1.50%. The investment management fee schedule for the composite is 1.65% on the first \$50,000; plus 1.4% from \$50,001-\$100,000; plus 1.15% from \$100,001-\$250,000; plus 0.95% from \$250,001-\$500,000; plus 0.75% from \$500,001-\$750,000; plus 0.60% from \$750,001-\$1,000,000; plus 0.50% from \$1,000,001-\$2,500,000; plus 0.45% on the remainder. The minimum account size is \$2,500. Performance is expressed in U.S. Dollars using a time-weighted total rate of return. Results reflect any commissions and other transaction costs, foreign withholding taxes, if any, and include the reinvestment of all income. Returns in any particular account may vary due to differences in points of entry and similar factors. To receive a complete list and description of Verity Investments' composites and/or a presentation that adheres to the GIPS standards, contact Steve Lewis at (919) 490-6717 x115, write to the address below, or send an e-mail to performance@verityinvest.com. Past performance is not indicative of future results.

Verity Investments, Inc. is an independent registered investment adviser. Total firm assets consist of all assets managed on a discretionary and non-discretionary basis and include private equity, private limited partnerships, and similar private entities. Verity Investments, Inc. claims compliance with the Global Investment Performance Standards (GIPS®). Verity Investments, Inc. has been verified firm wide for the periods 2/1/2005 through 9/30/2009 by Ashland Partners & Company LLP. In addition, a performance examination by Ashland Partners was conducted on the Core Composite beginning February 1, 2005.